
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: March 5, 2009

IBA Report Number: 09-17

City Council Docket Date: March 10, 2009

Item Number: 107

General Fund User Fee Policy

OVERVIEW

On February 12, 2009 the Chief Financial Officer released a proposed General Fund User Fee Policy for consideration at the February 25, 2009 meeting of the Budget and Finance Committee. The proposed policy is the outcome of a long-term effort to formalize a comprehensive user fee policy, which is needed to assist with determining the appropriate levels of user fees for services and related cost-recovery revenues. Implementation of this policy will also allow the City to identify to what degree programs intended to be funded through user fees are being subsidized by the City's General Fund; and take corrective actions if necessary. This is particularly important during this time when there are numerous competing pressures for the City's scarce General Fund resources.

According to the Council Docket for this item, a motion was made by Councilmember DeMaio and seconded by Chair Tony Young at the Budget and Finance Committee meeting to:

1. Approve the User Fee Policy;
2. Present all proposed fee increases to the Budget and Finance Committee before going to Council;
3. Identify efficiencies that might lower a fee from its baseline cost; and
4. Return to the Budget and Finance Committee on September 9, 2009, with a draft Comprehensive Fee Study.

FISCAL/POLICY DISCUSSION

Based on the discussion and direction of the Budget and Finance Committee, the proposed User Fee Policy was amended and includes the following statements (please refer to the User Fee Policy dated February 25th, not February 12):

Page 4: Cost Recovery Calculation

“Revisions to the fees shall incorporate savings from efficiencies reforms. Departments shall include these efficiency savings in their cost analysis to determine fees.”

We would note that Councilmember DeMaio’s motion, which was approved by the Committee, may not be accurately captured in this amendment. As part of the motion he requested adding a section on efficiency reform that “The Mayor’s Office will not propose fee increases without identifying efficiencies that might lower the fee from baseline costs and will be put to concurrent vote of the Council.”

The section may need further discussion and clarification.

Page 5: Frequency of User Fees Cost Studies

“The fee proposals then shall be reviewed by the Budget and Finance Committee with subsequent approval by the City Council.”

We recommend that that intent of Budget and Finance Committee approval prior to Council also be captured in the section “Annual Review Process” on page 3.

CONCLUSION

The proposed General Fund User Fee Policy is presented in advance of the FY 2010 budget process, with the intention to integrate revenue from new and updated user fees in the FY 2010 Proposed Budget. Direction was provided by the Budget and Finance Committee, which the City Council may wish to clarify or strengthen to ensure intentions are reflected in the final policy prior to its adoption.

[SIGNED]

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[SIGNED]

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